

CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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Responsibility for the Direction of the Hungarian Economy

1. The Central Committee of the Hungarian Workers' Party (Magyar Dolgozok Partja Kozponti Vezetoseg) was the supreme executive organ in Hungary. Over-all plans for the Hungarian national economy were initiated by this organ and implemented by its subordinate bodies.
2. The Hungarian National Economic Council (Magyar Nepszocializmus Tanacs) was the supreme authority on Hungarian economy. It made basic decisions concerning the improvement of Hungarian economic life, with the approval of the Central Committee of the Hungarian Workers' Party, to which it was immediately subordinate. Ernoe Gerce, Deputy Prime Minister and First Secretary of the Hungarian Workers' Party, was Director of the National Economic Council. The decisions of this body were published in its official publication, National Economic Decrees (Nepszocializmus Rendeleterek), which was classified as secret and was available to only the State Planning Office, directors of enterprises, ministerial department chiefs and directors of distribution centers for industrial and commercial materials. This publication was the supreme organ for the Hungarian ministries of economy, agriculture, industries, and commerce.
3. The Economic Committee (Gazdasagi Bizottsag), also immediately subordinate to the Hungarian Workers' Party Central Committee, helped to implement the directives of the National Economic Council.
4. The State Planning Office (Orszagos Tervhivatal) directed, correlated and consolidated all directives and regulations pertaining to the execution of the economic plans by the Hungarian agricultural, industrial, and commercial ministries. This body elaborated the decisions of the National Economic Council and the Economic Committee and was responsible for the implementation of the directives elaborated by the State Planning Office in cooperation with the ministries were published in the official

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publication of the Council of Ministers, the Hungarian Journal (Magyar Koezloeny), and in the official publication of the State Planning Office, Planned Economy Journal (Tervgazdasagi Ertesitoe).

Organization of Industrial Ministries

5. When Hungarian industry had been completely nationalized in 1949, a reorganization of the ministries was carried out. Ministries had two main branches, one dealing with the administrative management of the ministry and the other with the production management. The administrative branch consisted of some 15 administrative divisions (Elvi Focosztaly - literally, theoretical divisions) and the production branch consisted of about 10 production divisions (Iparagi Focosztaly - literally, industrial branch divisions). The administrative divisions were responsible for the administration of a number of enterprises under the control of a particular industrial ministry, and the production divisions were responsible for the management of the production of these enterprises. The principal task of the administrative branch of an industrial ministry was to coordinate the functions of the production divisions in the ministry, to supervise their work and to see to it that the orders of the State Planning Office and instructions published in the official organs were carried out by them. The production divisions were responsible for seeing that the state-owned industrial enterprises under the control of the ministry carried out their operative directives. Production division and department chiefs inspected various industrial plants and saw to it that the management carried out the directives. The administrative and technical supervisory personnel of the enterprises were ultimately responsible for the implementation of production directives.
6. In case of established negligence in the fulfillment of production directives in a plant, production division officials were obliged to take the necessary disciplinary measures against the guilty parties. After investigation, they submitted a report to the chief of production divisions recommending punitive proceedings. In case of offenses serious enough to hinder production and considered sabotage against the People's Democratic Republic, the guilty parties were either immediately arrested by the State Security Forces (Allamvedelmi Hatosag - AVH) or they were removed and thus made harmless to the Hungarian People's economy.

Supervision and Control

7. Supervision and control organized on the Soviet Union pattern are characteristic features of the countries which have planned economy. Great importance was attached to supervision and control of everybody by everybody. Everybody's work, from the minister to a plant section chief, was supervised and controlled by some office. Thus, for example, in an industrial ministry the administrative divisions supervised the work of the production divisions, and the latter supervised the work of the industrial plant management, which in turn supervised department chiefs, who supervised section chiefs, and so on down to the laborer.
8. For the purpose of centralizing the supervisory activities of the State, a State Control Center (Allami Ellenorzeresi Koezpont) was established in 1948. This was a large organization employing more than one thousand persons. The functions of this State Control Center consisted of strict supervision of industrial enterprises, watching for negligence or sabotage, investigating the work of the ministries and initiating criminal proceedings against the delinquents as well as bringing about disciplinary action or punishment against them. In serious cases the guilty were

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immediately arrested by the AVH.

9. In February 1952 the disciplinary function of the production divisions of the industrial ministries, which had operated in addition to the State Control Center and which on many occasions I know of had caused action to be taken against employees on the basis of false accusations, was abolished. The function was transferred, within the ministries, to newly established separate disciplinary commissions.

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